

Message Text

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SUBJECT: SECRETARY SHULTZ STATEMENT TO ENERGY CONFERENCE

1. FOLLOWING IS THE OUTLINE OF A STATEMENT BY TREASURY SECRETARY SHULTZ BEFORE THE WASHINGTON ENERGY CONFERENCE ON MONDAY, FEBRUARY 11, 1974, ENTITLED "THE NEED FOR CLOSER INTERNATIONAL-FINANCIAL COOPERATION".

FINANCE OFFICIALS HAVE A DUTY TO WORK CLOSELY TOGETHER IN THE REALIZATION THAT EVEN OUR BEST COOPERATIVE EFFORTS WILL OFFSET ONLY A FRACTION OF THE SERIOUS DAMAGE WHICH HAS BEEN DONE TO MANY COUNTRIES BY THE ABRUPT AND SPECTACULAR INCREASES IN OIL COSTS.

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AT THE SAME TIME, WE MUST CAREFULLY AVOID CREATING THE MISLEADING IMPRESSION THAT SUCH COOPERATION PROVIDES ANY PANACEA FOR THE SERIOUS ECONOMIC PROBLEMS BEFORE US. THERE IS NO INTERNATIONAL

FINANCIAL ARRANGEMENT WHICH CAN OFFSET THE REAL EFFECTS OF THE OIL PRICE CHANGES. IT IS IMPORTANT THAT WE NOT KID OURSELVES HERE - THAT WE NOT, AS MINISTERS OK KINANCE, GIVE THE IMPRESSION THAT SOMEHOW OR OTHER WE CAN PRINT UP SOME MONEY AND USE IT TO "PAPER OVER" VERY REAL PROBLEMS.

THE PROBLEMS ARE THERE. THERE IS NO WAY TO CONCOCT A FINANCIAL SOLUTION THAT WILL AVOID FACING UP TO SEVERE DISLOCATIONS; AND I THINK PARTICULARLY FOR THE DEVELOPING COUNTRIES, AS HAS BEEN BROUGHT OUT BY MANY SPEAKERS HERE, GREAT DEPRIVATION - IN A SENSE WE HAVE THAT HORRIBLE CHAIN IN WHICH THE LACK OF FUEL GOES TO A LACK OF FERTILIZER, GOES TO A LACK OF FOOD, AND WHICH GOES TO STARVATION. SO A POINT THAT I WANT TO MAKE IS THAT, I THINK FOR MANY, THE SITUATION IS NOT ONE IN WHICH WE SAY TO OURSELVES: "YES WE SEE THE PROBLEM. LET US UNDERSTAND IT, AND THEN FIGURE OUT HOW SOMEHOW THROUGH FINANCIAL MEANS TO HANDLE IT." IT IS FOR MANY NOT A MANAGEABLE PROBLEM IN ITS PRESENT STATE. AND WE HAVE TO SEE HOW IT CAN BE CHANGED SO THAT IT IS MANAGEABLE.

WE NEED TO BE CONCERNED NOT ONLY WITH THE DIRECT IMPACT OF HIGHER PRICES AND SUPPLY DISTURBANCES ON OUR ECONOMIES, BUT ALSO WITH THE SERIOUS THREAT OF SECONDARY REPERCUSSIONS FROM INSTABILITY IN FINANCIAL MARKETS, FROM INCONSISTENCY IN INTERNAL ECONOMIC MANAGEMENT AND IN BALANCE OF PAYMENTS POLICIES, AND FROM IMPAIRED ECONOMIC DEVELOPMENT. THESE ARE AREAS IN WHICH WE CAN MAKE A CONTRIBUTION; AND WHY NOW, MORE THAN EVER, WE HAVE AN OBLIGATION TO SEEK THE OPTIMUM CONTRIBUTION FROM CLOSE INTERNATIONAL ECONOMIC COOPERATION.

WE HAVE HEARD REPORTS IN THIS CONFERENCE ALREADY
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THAT THIS YEAR, AND OVER THE NEXT FEW YEARS, THE STANDARDS OF LIVING OF THE MORE DEVELOPED NATIONS WILL BE REDUCED SIGNIFICANTLY BELOW PREVIOUS EXPECTATIONS. IN THE SHORT RUN, WE ARE FACING THE PROBLEM OF ADJUSTING TO REDUCED SUPPLY, AND THIS HAS AFFECTED OUR IMMEDIATE PROSPECTS FOR GROWTH. BUT AS THIS PROBLEM IS MET, OUR REAL INCOME WILL CONTINUE TO BE AFFECTED BOTH BY THE HIGHER COSTS OF ENERGY IMPORTS AND BY THE HIGHER EXPENDITURES WHICH NATIONS WILL FIND IT PRUDENT TO MAKE IN REACHING REDUCED FUTURE DEPENDENCE ON IMPORTED ENERGY. NONETHELESS, THE STANDARDS OF LIVING OF THE NATIONS HERE REPRESENTED WILL REMAIN A LARGE MULTIPLE OF THOSE OF SOME OF THE LESS FAVORED

NATIONS.

IN CONTRAST, THE EFFECTS OF THE OIL PRICE CHANGES ARE LIKELY TO BE NEAR CATASTROPHIC FOR SOME OF THE POOR AREAS OF THE WORLD. IN SOME COUNTRIES, IT IS EVEN PROBABLE THAT THE NEW ENERGY COSTS WILL RESULT IN A REDUCTION OF STANDARDS OF LIVING OVER THE NEXT FEW YEARS FROM THE PRESENT ABYSMALLY LOW LEVEL -- TO THE POINT, IN SOME CASES, OF STARVATION.

WE HAVE HEARD ESTIMATES THAT EVEN AKTER PROJECTED REDUCTIONS IN MARKET PRICES OF OIL BELOW PRESENT LEVELS THAT:

-- THE DEVELOPED COUNTRIES COULD HAVE THEIR COMBINED CURRENT ACCOUNT DEFICITS WORSENER BY AS MUCH AS DOLS. 40 BILLION;

-- THE DEVELOPING COUNTRIES COULD HAVE THEIR CURRENT ACCOUNT DEFICITS INCREASED BY AS MUCH AS DOLS. 10 BILLION; AND

-- THE OIL-PRODUCING NATIONS COULD ADD AS MUCH AS DOLS. 50 BILLION TO THEIR FOREIGN ASSET HOLDINGS; ALL IN THE ONE YEAR, 1974.

IN THE FACE OF SUCH POSSIBILITIES, I SUGGEST THAT IT WOULD BE IN OUR MUTUAL INTEREST TO AGREE ON SOME BASIC
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PRINCIPLES ON HOW WE SHOULD RESPOND IN OUR ECONOMIC POLICIES, NATIONAL AND INTERNATIONAL. I PUT FORWARD THREE PRINCIPLES FOR YOUR CONSIDERATION:

I. FIRST, AT A TIME OF VAST NEW UNCERTAINTY, LET US EACH RECOGNIZE THE NEED TO DEVELOP INTERNAL POLICIES THAT MAINTAIN OUR PRODUCTION AND DEMAND, AND DEAL WITH INFLATION, WITHOUT AGGRAVATING THE PROBLEMS OF OTHERS. THIS WILL REQUIRE NOT ONLY PARTICULARLY CAREFUL ANALYSIS, BUT ALSO PARTICULARLY CLOSE INTERNATIONAL CONSULTATION AND COOPERATION. IN THIS CONNECTION, WE KNOW THAT THE "COST-PUSH" EFFECTS OF OIL PRICES REINFORCE THE STRONG UPWARD PRESSURES ON OUR PRICE LEVELS. YET, AT THE SAME TIME, WE NEED TO RECOGNIZE THAT THE GREATLY INCREASED COST OF OUR OIL IMPORTS COULD AFFECT OUR ECONOMIES AS WOULD A MASSIVE INCREASE IN TAXES FROM WHICH THE REVENUES WERE NOT CURRENTLY BEING SPENT. IN THIS CASE, OF COURSE, THIS "TAX" WILL BE REFLECTED IN HIGHER

DOLLAR IMPORTS, RATHER THAN GOVERNMENT REVENUES. BUT THAT IMPORT BILL SHOULD NOT CARRY THE SAME CONNOTATION, OR DRAW THE SAME POLICY RESPONSE THAT WE USUALLY ASSOCIATE WITH A DETERIORATING TRADE POSITION. WE MUST REALISTICALLY TAKE ACCOUNT OF POTENTIAL INCREASES IN EXPORTS TO OIL-PRODUCING COUNTRIES, AND MORE IMPORTANT QUANTITATIVELY THE POTENTIAL LARGE AVAILABILITY -- DIRECTLY AND INDIRECTLY -- OF FLOWS OF INVESTMENT FUNDS FROM THE PRODUCING COUNTRIES.

II. SECOND, IN OUR INTERNATIONAL POLICIES WE MUST AGREE TO KEEP OPEN OUR MARKETS FOR GOODS AND CAPITAL, AND TO AVOID THE TEMPTATION OF COMPETITIVE DEVALUATIONS. NO NATION CAN IMPOSE TRADE RESTRICTIONS, AND OTHER BEGGAR-MY-NEIGHBOR POLICIES WITHOUT ENGENDERING RETALIATION, SO THAT THE WHOLE PROCESS WOULD BE SELF-DEFEATING AND DESTRUCTIVE. NOW, MORE THAN EVER DURING

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A PERIOD WHEN INTERNATIONAL ADJUSTMENTS WILL NECESSARILY HAVE TO BE LARGE AND RAPID, GOVERNMENTS MUST MAINTAIN MOMENTUM FOR THE REMOVAL OF EXISTING DISTORTIONS FROM THE INTERNATIONAL ECONOMY. THEY MUST PROCEED RESOLUTELY WITH PLANNED TRADE NEGOTIATIONS AND WITH FEASIBLE FURTHER DISMANTLING OF CAPITAL CONTROLS. AND THEY MUST AGREE TO UNDERTAKE SPECIAL EFFORTS TO RESIST THOSE PRESSURES FOR THE INTRODUCTION OF SPECIAL-INTEREST-SERVING GOVERNMENT CONTROLS AND INTERVENTIONS WHICH ARE LIKELY TO BE PUT FORWARD DURING ANY TIME OF RAPID ECONOMIC CHANGE.

III. THIRD, IN OUR DEVELOPMENT POLICIES, WE SHOULD ENDEAVOR AT LEAST TO MAINTAIN RECENT LEVELS OF ASSISTANCE TO THE MOST SERIOUSLY DISADVANTAGED NATIONS; AND ENCOURAGE OIL-PRODUCING NATIONS WITH RAPIDLY INCREASING HOLDINGS OF FOREIGN ASSETS TO TAKE IMMEDIATE STEPS GREATLY TO EXPAND THEIR PROGRAMS OF ASSISTANCE FOR THE DEVELOPED NATIONS IN FULL COOPERATION WITH INDUSTRIAL NATIONS AND INTERNATIONAL INSTITUTIONS.

IN THE LIGHT OF THE NEW BURDEN OF ENERGY COSTS UPON THEIR ECONOMIES AND THEIR BALANCE OF PAYMENTS, IT WILL NOT BE EASY TO MAINTAIN A CLIMATE OF OPINION IN THE DEVELOPED NATIONS TO MAINTAIN OR INCREASE PAST LEVELS OF ASSISTANCE TO THE LEAST DEVELOPED NATIONS. BUT, IN

VIEW OF THE EXTREME DISTRESS FACED BY SOME AREAS OF THE WORLD, AND THE ECONOMIC AND POLITICAL CONSEQUENCES, IT WOULD BE SHORTSIGHTED AND INHUMANE FOR THE DEVELOPED NATIONS TO CURTAIL ASSISTANCE PLANS AND PROGRAMS AT THIS TIME OF GREATEST NEED.

BUT EVEN WITH CONTINUED ASSISTANCE FROM THE TRADITIONAL PROVIDERS OF AID, THE LEAST DEVELOPED NATIONS ARE FACED WITH A TREMENDOUS GAP IN NEEDED RESOURCES. SOME OF THE MOST IMPORTANT OIL-PRODUCING NATIONS -- THEMSELVES MOVING RAPIDLY FROM POVERTY TO AFFLUENCE AND WITH NATURAL UNDERSTANDING FOR THE PROBLEM -- CAN
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REASONABLY BE CALLED UPON FOR A MAJOR CONTRIBUTION TOWARD REDUCING THAT GAP.

NO CHANNEL OF AID SHOULD BE NEGLECTED. INCREASED ASSISTANCE MAY BE MADE AVAILABLE THROUGH DIRECT COUNTRY-BY-COUNTRY RELATIONSHIPS, THROUGH NEW OR ALREADY ESTABLISHED REGIONAL INSTITUTIONS, AND THROUGH INCREASED CONTRIBUTIONS TO THE EXISTING BROAD MULTILATERAL FINANCIAL INSTITUTIONS. BUT -- IN VIEW OF THE EXTREME NEED AND THE WEAKENED FINANCIAL POSITION OF MANY OF THE LEAST DEVELOPED NATIONS -- IT IS ESSENTIAL THAT A SUBSTANTIAL PROPORTION OF THE INCREASES IN ASSISTANCE BE IN THE FORM EITHER OF OUTRIGHT GRANTS OR OF THEIR EQUIVALENT.

AS WE SEEK TO INCORPORATE THESE GENERAL PRINCIPLES INTO PRACTICAL ACTIONS, I BELIEVE OUR WORK CAN BE DIVIDED NATURALLY INTO FOUR BROAD AREAS OF COOPERATION:

1. MEASURES TO HELP ENSURE THAT WE MAINTAIN OPEN MARKETS.
2. MEASURES WE CAN TAKE TO DEAL WITH OR REDUCE THE UNCERTAINTIES INHERENT IN THE PRESENT SITUATION -- UNCERTAINTIES RELATED BOTH TO THE EXTENT OF OIL PRICE INCREASES AND TO THE DIRECTIONS IN WHICH THE FLOWS OF PRODUCING-COUNTRY MONEY -- MUCH OF WHICH WILL BE SHORT TERM -- WILL BE CHanneled.
3. MEASURES WE CAN TAKE TO FACILITATE A LARGER PORTION OF THESE FUNDS TO MOVE INTO LONGER TERM INVESTMENT IN WAYS BENEFICIAL TO BOTH THE INVESTING AND RECIPIENT NATIONS.
4. MEASURES WE CAN TAKE TO ENCOURAGE AND

FACILITATE THE FLOW OF RESOURCES FROM OIL-
PRODUCING COUNTRIES TO LDC'S, PARTICULARLY
THE POOREST OF THEM.

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I. MEASURES TO MAINTAIN OPEN MARKETS

THE PRINCIPLE OF AVOIDING RESTRICTIONS ON TRADE AND
PAYMENTS THAT HAVE THE EFFECT OF TRANSFERRING PROBLEMS
TO OTHERS HAS WIDE SUPPORT -- THE QUESTION IS HOW WE
CAN REINFORCE THAT PRINCIPLE IN PRACTICAL INSTITUTIONAL
AND OPERATIONAL TERMS.

THE COUNTRIES HERE REPRESENTED INCLUDE THE LARGEST
TRADING NATIONS. SHOULD WE NOT PLEDGE AMONG OURSELVES,
HERE AND NOW, TO TAKE NO TRADE RESTRICTING MEASURES --
SURCHARGES, QUOTAS OR THEIR EQUIVALENT -- FOR BALANCE
OF PAYMENTS PURPOSES?

FOR THE FUTURE, WE WOULD BE WILLING TO CONSIDER NEW
INSTITUTIONAL MEANS AND PROCEDURES WHEREBY WE WOULD
PLEDGE NO TRADE RESTRICTING ACTION FOR BALANCE OF
PAYMENTS WITHOUT PRIOR DISCUSSION AND APPROVAL BY
THE IMF.

II. MEASURES FOR DEALING WITH UNCERTAINTY

A. WE KNOW, IN THE AGGREGATE, THE MONEY SPENT FOR
OIL, AND NOT USED FOR OUR EXPORTS, WILL FLOW
BACK, LARGELY SHORT TERM. BUT EACH COUNTRY IS
LEFT UNCERTAIN AS TO THE SIZE OF ITS INCREASED
IMPORT BILL AND THE DIRECTIONS WHICH THE
REFLOW OF INVESTMENT MONEY WILL TAKE. SOME
COUNTRIES MAY NATURALLY ATTRACT MORE OR LESS
OF THIS MONEY THAN THEIR INCREASED BALANCE
OF PAYMENTS DRAIN.

1. MUCH OF THIS SORTING OUT CAN TAKE PLACE IN
PRIVATE MARKETS, AND BY OFFICIAL BORROWING,
WHERE NECESSARY, IN PRIVATE MARKETS.
OBVIOUSLY, THE FLOWS MAY TAKE PLACE
THROUGH HOME MARKETS OR THIRD MARKETS, SUCH
AS NEW YORK OR THE EURO-CURRENCY MARKETS.

2. IN SHEER BULK, THIS IS MAINLY A PROBLEM FOR
DEVELOPED COUNTRIES. BECAUSE SOME LDC'S

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MAY HAVE SPECIAL DIFFICULTIES OBTAINING
CREDIT, DIFFERENT TECHNIQUES WILL BE
NECESSARY THERE.

B. ONE THING WE CAN DO IS BE SURE PRIVATE MARKETS
ARE SUFFICIENTLY FREE TO DO THE RECYCLING JOB.

1. REMOVAL OF U.S. CONTROLS HAS OPENED THE
LARGEST AND MOST EFFICIENT CAPITAL MARKET
ONCE MORE TO THE WORLD. OTHER NATIONS HAVE
MADE MOVES IN THE SAME DIRECTION. I BELIEVE
THE RESULTS WILL BE BENEFICIAL.

2. IN THE PRESENT SITUATION, PART OF OUR
FINANCIAL "ETHIC" SHOULD BE TO PERMIT OUR
NATIONALS TO BORROW ABROAD, PARTICULARLY
FOR COUNTRIES FACING DEFICIT. CONVERSELY,
POTENTIAL SURPLUS COUNTRIES SHOULD PERMIT
FUNDS TO FLOW OUT.

C. PRIVATE BORROWINGS, IN SOME CASES, WILL NEED TO
BE SUPPLEMENTED BY OFFICIAL BORROWING. OUR
MARKETS, THE EURO-MARKETS, AND SOME OTHERS ARE
OPEN. BUT, POSSIBLY, A SCRAMBLE FOR MONEY,
AND SHARP PRESSURES ON ONE MARKET OR ANOTHER,
COULD DEVELOP IN NO ONE'S INTEREST. THEREFORE,
IT MAY BE WORTH CONSIDERING AT LEAST INFORMAL
AND CONFIDENTIAL EXCHANGES OF INFORMATION
ABOUT PROSPECTIVE BORROWING OPERATIONS AMONG
MAJOR NATIONS. THEN NATIONS COULD ACT IN THE
KNOWLEDGE OF EACH OTHER'S INTENTIONS, AND HELP
AVOID ALTERNATE PERIODS OF CONGESTION AND
VACUUMS IN MONEY AND CAPITAL MARKETS THAT COULD
IN TURN AFFECT EXCHANGE MARKETS.

D. AT TIMES, INTERGOVERNMENTAL BORROWING MAY BE
NECESSARY AND DESIRABLE, AND A GREATER SENSE
OF CERTAINTY THAT SUCH FACILITIES WOULD BE
AVAILABLE IN TIME OF NEED COULD BE VERY USEFUL --
EVEN IF IT TURNS OUT IN THE END THAT SUCH
FACILITIES ARE NOT USED HEAVILY, OR AT ALL.

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1. THIS IS CLASSIC PURPOSE OF IMF CREDITS,
AND THOSE LINES FORTUNATELY ARE LITTLE
USED AT PRESENT. CONSEQUENTLY, THERE IS
SOME SPARE CAPACITY.

2. A FURTHER LINE OF DEFENSE, WHICH CAN
READILY BE EXPANDED, ARE CENTRAL BANK SWAP

LINES. WE HAVE INDICATED A WILLINGNESS TO DO THIS, AT LEAST ON A SELECTIVE BASIS, AND WE WOULD WELCOME DISCUSSION OF THE APPROPRIATE ROLE AND LIMITS OF SUCH FACILITIES.

3. BEYOND THESE FACILITIES, THE QUESTION ARISES AS TO WHETHER EXISTING INTERNATIONAL INSTITUTIONAL FACILITIES NEED TO BE EXPANDED AND REARRANGED TO DEAL WITH UNCERTAINTY ABOUT THE DIRECTION IN WHICH FUNDS WILL MOVE AND, IF NEEDED, RECHANNEL FUNDS TO TAKE CARE OF BALANCE OF PAYMENTS NEEDS IN SHORT OR MEDIUM TERM. AS WE UNDERSTAND IT, THE PROPOSAL MADE BY MR. WITTEVEEN FALLS INTO THIS CATEGORY, AND HAS ATTRACTED MOST ATTENTION.

A. WE FEEL IT ESSENTIAL, IN EVALUATING THIS PROPOSAL, TO DISTINGUISH SHARPLY THE PROBLEM OF UNCERTAINTY AND THE NEED FOR RECHANNELING POTENTIALLY SIZABLE AMOUNTS OF MONEY FOR LIMITED TERMS AMONG COUNTRIES ABLE TO REPAY RELATIVELY PROMPTLY FROM THE MORE SEVERE (BUT QUANTITATIVELY SMALLER) PROBLEM OF THE POOR LDC'S WHICH NEED GRANTS AND HEAVILY CONCESSIONAL LONG-TERM AID.

B. EVEN AMONG DEVELOPED COUNTRIES AND MORE PROSPEROUS LDC'S, A WITTEVEEN-TYPE PROPOSAL PRESENTS DIKFICULT TECHNICAL AND NEGOTIATING PROBLEMS IN DECIDING

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UPON SUITABLE TERMS. WE AWAIT FURTHER ELABORATION OF WITTEVEEN'S THOUGHTS, AND IN PARTICULAR HOW THE RISK OF BUILDING UP NOMINALLY SHORT-TERM, BUT IN FACT UNREPAYABLE CREDITS CAN BE HANDLED. WE INTEND TO REACT CONSTRUCTIVELY.

III. MEASURES TO FACILITATE ORDERLY LONGER TERM INVESTMENT PATTERNS

A. REMOVAL OF RESTRAINTS ON LONGER TERM INVESTMENT IS EQUALLY RELEVANT.

B. GIVEN THE VAST FLOW OF POTENTIAL INVESTMENT, SERIOUS AND DIKFICULT QUESTIONS ARISE IN THE

MINDS OF BOTH INVESTORS AND RECIPIENTS THAT
MAY HAMPER FLOWS:

1. THE INVESTOR WANTS AND NEEDS THE WIDEST
POSSIBLE DIVERSITY OF OUTLETS (I.E., OPEN
CAPITAL MARKETS⁰, PROFESSIONAL INVESTMENT
MANAGEMENT⁷, AND CONFIDENCE THAT HIS
INVESTMENTS ARE SECURE FROM POLITICAL ACTION
BY RECIPIENTS.

2. THE RECIPIENT WANTS TO HAVE SOME ASSURANCE
THAT INVESTMENTS WILL NOT BE MANAGED FOR
POLITICAL PURPOSES, AND THE PROSPECT OF
REASONABLE STABILITY IN FLOWS.

C. I HAVE NO SPECIFIC PROPOSAL IN THIS AREA.
HOWEVER, I RAISE FOR DISCUSSION ONE QUESTION:
SHOULD WE CONSIDER A NEW INTERNATIONAL
INVESTMENT INSTITUTION

-- A KIND OF MULTINATIONAL JOINT VENTURE,
WITH PARTICIPATION IN MANAGEMENT BY BOTH
INVESTOR AND RECIPIENT NATIONS -- AS A MEANS
OF HELPING TO SATISFY THE CONCERNS I HAVE
CITED. AN ESSENTIAL AIM OF THE INSTITUTION

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WOULD BE TO ACHIEVE A DIVERSITY OF PROFITABLE
INVESTMENT OUTLETS, WITH EXPERT INVESTMENT
MANAGEMENT, FOR THE PRODUCERS. AT THE SAME
TIME, THE MULTILATERAL UMBRELLA MIGHT HELP
PUT TO REST MUTUAL FEARS OF POLITICAL
REPRISALS, THUS ENCOURAGING RECIPIENT
COUNTRIES TO PERMIT LARGER AMOUNTS OF
INVESTMENT AND ENCOURAGING INVESTOR COUNTRIES
TO COMMIT SIZABLE FUNDS FOR EXTENDED PERIODS.

OBVIOUSLY, IN MANAGING SUCH AN
INSTITUTION, THE INVESTING COUNTRIES WOULD
LEGITIMATELY MAINTAIN CONTROL OVER SOME
BASIC DECISIONS CONCERNING THE VOLUME AND
DISTRIBUTION OF THE FUNDS. MANY COMPLEX
ORGANIZATIONAL PROBLEMS WOULD ARISE. ARE
THEY WORTH DISCUSSION?

D. WE MIGHT EXERCISE OUR COLLECTIVE IMAGINATION
TO DEVISE OTHER MEANS OF BETTER ASSURING THE
SAFETY AND STABILITY OF INVESTMENTS.

AN INTERNATIONAL INVESTMENT GUARANTEE
AGENCY HAS BEEN DISCUSSED AT LENGTH IN THE

PAST -- FRUITLESSLY. BUT NOW THE PROBLEMS
APPEARIN ANOTHER GUISE AND FRESH THINKING

WITH THE PRODUCERS MAY BE DESIRABLE.

THE U.S. EARLIER ADVANCED THE CONCEPT OF AN
"INVESTMENT FUND" FOR COUNTRIES WITH LARGE
OFFICIAL POOLS OF INVESTMENT MONEY. THIS
CONCEPT RESTED ON AN ESSENTIALLY SIMPLE "CODE
OF CONDUCT" OR "RULE OF THE ROAD." A
RECIPIENT COUNTRY WOULD BE ENTITLED TO KNOW
HOW MUCH INVESTMENT OF WHAT TYPE WAS BEING
MADE BY OTHER GOVERNMENTS IN ITS CURRENCY, AND
TO LIMIT THE AGGREGATE AMOUNT OF THAT
INVESTMENT. BUT HAVING AGREED TO THAT
INVESTMENT, IT WOULD ALSO AGREE TO TREAT THAT

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